

Message Text

CONFIDENTIAL

PAGE 01 LIMA 03318 222355Z

61

ACTION EB-03

INFO OCT-01 ARA-06 ISO-00 SS-14 L-01 INR-05 SP-02 SSO-00

INRE-00 /032 W

----- 127964

O 222200Z APR 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 4839

C O N F I D E N T I A L LIMA 3318

STADIS//////////

LIMDIS

FOR EB/TT/AV - STYLES

E.O. 11652: GDS

TAGS: EAIR, PE

SUBJECT: CIVAIR - DISPUTE WITH PERU - SEVENTH BRANIFF/
AEROPERU MEETING

REF: LIMA 3128, 3266

1. SEVENTH MEETING BETWEEN TWO AIRLINES TOOK PLACE EVEN-
ING APRIL 21. ALTHOUGH FIRST SCHEDULED FOR 3:00 P.M.,
AEROPERU RESCHEDULED IT FOR 6:00, AND MEETING DID NOT
ACTUALLY GET UNDERWAY UNTIL GULMAN ARRIVED AT 7:05.
GULMAN APOLOGIZED FOR FACT THAT SOTO WAS NOT PRESENT, SAY-
ING THAT HE HAD A MEETING HE COULD NOT LEAVE, AND HANDED
BRANIFF SIX PAGE LETTER WHICH HE SAID RESPONDED TO BRANIFF
PROPOSAL CONVEYED BY AMBASSADOR TO FOREIGN MINISTER.

2. AEROPERU LETTER FIRST REVIEWED BRANIFF PROPOSAL IN SOME
DETAIL. IT THEN POINTED OUT THAT BRANIFF IS FLYING 16
TIMES PER WEEK AGAINST AEROPERU'S 7, THAT AEROPERU BE-
LIEVED THAT THIRD AND FOURTH FREEDOM TRAFFIC SHOULD
BE DIVIDED EQUALLY AND THAT FIFTH FREEDOM FROM PERU'S
POINT OF VIEW IS CONCESSION WHICH MUST BE RESTRICTED
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PAGE 02 LIMA 03318 222355Z

TO AVOID HARMING AEROPERU. LETTER THEN REVIEWED MEET-

ING BETWEEN EMBASSY OFFICERS AND AMBASSADOR SILVA ARANDA (LIMA 2123), CONTENDING THAT EMBASSY OFFICERS HAD SOLICITED MINISTRY GOOD OFFICES IN GETTING AEROPERU TO FORMALIZE 24 FLIGHT PROPOSAL. THEREAFTER LETTER EMBARKED ON LONG, INVOLVED EXAMINATION OF AIRLINE ECONOMICS IN EFFORT TO DEMONSTRATE HOW MUCH BRANIFF'S PROPOSAL WOULD COST AEROPERU WHICH IS ALREADY LOSING MONEY.(NOTE: THIS IS FIRST TIME THIS ADMISSION HAS BEEN MADE.) LETTER CONCLUDES THAT FOREGOING DEMONSTRATES THAT AEROPERU'S GOOD WILL IN FORMALIZING OFFER AS REQUESTED BY REPRESENTATIVES OF USG THROUGH GOOD OFFICES OF FOREIGN MINISTRY HAS NOT BEEN APPRECIATED. "WE THINK THAT THE SOLUTION IS THAT BRANIFF SHOULD RECONSIDER ITS ATTITUDE, WHOLLY ACCEPTING THE LAST PROPOSAL PRESENTED BY AEROPERU (APRIL 3). WHILE AEROPERU, AS A STATE AIRLINEMM OUGHT TO COMPLY AND DOES COMPLY WITH ITS PROPOSALS, BRANIFF CANNOT TAKE ADVANTAGE OF ITS POSITION AS A PRIVATE ENTERPRISE TO IGNORE AN OFFICIAL PROPOSAL FORMULATED BY ITS GOVERNMENT. WE ARE SURE THAT THE NORTH AMERICAN GOVERNMENT WILL KNOW HOW TO APPRECIATE AND ASSESS OUR PROPOSAL AND UNDERSTAND THE SACRIFICE THAT IT MEANS, AND ABOVE ALL, WILL KNOW HOW TO DISTINGUISH BETWEEN A POSITION THAT SEEKS TO MAINTAIN A HIGH DEGREE OF PROFITABILITY AND OUR POSITION OF MINIMIZING OUR LOSSES."

3. GULMAN THEN LAUNCHED INTO LONG EXPLANATION OF WHY BRANIFF'S PROPOSED 11 FLIGHTS SOUTH OF LIMA WITH THEIR "DEPENDENCE" ON FIFTH FREEDOM TRAFFIC WOULD BE INCONSISTENT WITH PERUVIAN CIVIL AIR PHILOSOPHY. DE MURIAS RESPONDED BY POINTING OUT THAT AEROPERU HAS GOOD SERVICE SOUTH AND ALSO RELIES ON FIFTH FREEDOM TRAFFIC BETWEEN BA/SANTIAGO AND MIAMI. MOREOVER, HIGH PROPORTION OF PASSENGERS WHO BOARD IN LIMA ARE BRANIFF STOPOVER PASSENGERS.

4. DE MURIAS COMMENTED THAT LETTER IS, THEN, REJECTION OF BRANIFF'S OFFER. GULMAN SAID THIS IS THE CASE, BUT IT IS ALSO AN INVITATION FOR BRANIFF TO STUDY AEROPERU'S

PROPOSAL. DE MURIAS REPLIED THAT STUDY WOULD BE FRUITLESS AS BRANIFF HAD NO MORE TO GIVE. GULMAN SAID HE WOULD CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LIMA 03318 222355Z

NEVERTHELESS URGE BRANIFF TO ANALYZE THE FIGURES IN THE LETTER AND SUGGESTED THAT A MEETING BE SCHEDULED FOR FOLLOWING DAY AT WHICH SOTO WOULD BE PRESENT AND WOULD BE HAPPY TO ANSWER QUESTIONS.

5. DE MURIAS SAID HIS ORDERS ARE TO RETURN TO U.S. IF BRANIFF OFFER WERE REJECTED, AND AEROPERU'S LETTER CONSTITUTES COMPLETE REJECTION. GULMAN URGED DE MURIAS TO

STAY; IF HE WENT BACK THAT NIGHT OR THE FOLLOWING DAY, WHAT WOULD BE THE DIFFERENCE? DE MURIAS SAID HE WOULD NEVERTHELESS ASK FOR INSTRUCTIONS, AND HE WAS CERTAIN WHAT THESE INSTRUCTIONS WOULD BE. GULMAN SAID THAT IN ANY CASE HE WOULD BE IN TOUCH WITH DEL SOLAR THE FOLLOWING DAY IN THE HOPE THAT A MEETING MIGHT TAKE PLACE.

6. DEL SOLAR THEN INTERVENED TO SAY THAT HE COULD ASSURE GULMAN THAT BRANIFF HAS ALREADY STUDIED AEROPERU PROPOSAL VERY CAREFULLY SINCE IT WAS FIRST PRESENTED ON APRIL 3. THIS WAS THE REASON THAT BRANIFF HAD COME FORWARD WITH ITS OWN PROPOSAL. HE DID NOT WANT THOSE AT MEETING TO LEAVE WITH FEELING THAT BRANIFF IS SIMPLY WALKING AWAY FROM TABLE WITHOUT CAREFUL CONSIDERATION AND STUDY. AEROPERU PROPOSAL WAS AN OLD ONE, STUDIED BY BRANIFF FROM EVERY ANGLE.

7. GULMAN THEN SAID THAT HE WANTED TO MAKE IT CLEAR THAT AERIOPERU ONLY WENT TO EXTENT OF MAKING 24 FLIGHT PROPOSAL BECAUSE FOREIGN MINISTRY HAS URGED IT TO DO SO ON THE BASIS OF REQUEST FROM EMBASSY OFFICERS DURING MEETING WITH AMBASSADOR SILVA ARANDA. (SOLARI, WHO WAS SITTING NEXT TO EMBASSY OFFICER, TOOK OCCASION TO WHISPER THAT DURING HIS RECENT MEETING IN DEPARTMENT (STATE 089684) KING HAD "CONFIRMED THAT REQUEST FOR 24 FREQUENCIES HAD BEEN MADE WITHOUT NKNOWLEDGE OF BRANIFF." DE MURIAS RESPONDED THAT, AS EMBASSY OFFICER HAD ALREADY EXPLAINED AT EARLIER MEETING, EMBASSY HAS SOUGHT TO SUGGEST ONLY THAT DGTA'S INFORMAL PROPOSAL REPRESENTED PROGRESS, THAT AIRLINE NEGOTIATIONS OUGHT TO RESTART ON THIS BASIS, AND THAT THEY COULD NOT SAY WHETHER 24 FLIGHTS WOULD MEET BRANIFF'S NEEDS.

8. GULMAN REPEATED HIS REQUEST THAT DE MURIAS STAY FOR CONFIDENTIAL

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PAGE 04 LIMA 03318 222355Z

ONE MORE MEETING. DE MURIAS ASKED WHY? GULMAN REPLIED IN ORDER TO HEAR EXPLANATION FROM SOTO. DE MURIAS SAID HE THOUGHT LITTLE EXPLANATION NEEDED. GULMAN SAID HE THOUGHT BRANIFF MIGHT BE ABLE TO RESTRUCTURE FREQUENCIES WITHIN 24 FLIGHT LIMIT THE BETTER TO MEET ITS NEEDS. DE MURIAS THEN ASKED A SERIES OF QUESTIONS. DID AEROPERU LETTER CONSTITUTE REJECTION OF BRANIFF OFFER? WAS TERM OF AGREEMENT TO BE FOR ONLY ONE YEAR? WOULD SERVICES TO BRAZIL HAVE TO BE TERMINATED AFTER ONE YEAR? GULMAN REPLIED YES TO ALL. DE MURIAS SAID THAT IN THIS EVENT, THERE APPEARED LITTLE FURTHER TO DISCUSS, AND THAT WHILE HE WOULD REPORT TO DALLAS, HE THOUGHT IT UNLIKELY THAT ANOTHER MEETING COULD TAKE PLACE. MEETING ENDED ON THIS NOTE.

9. COMMENT: ATMOSPHERE OF MEETING WAS CORDIAL BUT SOLEMN,
AND THERE APPEARED TO BE TACIT UNDERSTANDING THAT THIS
WOULD BE LAST MEETING. GULMAN'S EFFORTS TO PERSUADE DE
MURIAS TO STAY FOR ONE MORE SESSION APPEARED PRO FORMA
AND AS MUCH FOR RECORD AS ANY OTHER PURPOSE. THERE WAS
NO SIGN OF FLEXIBILITY IN HIS POSITION. AMBASSADOR IS
REPORTING BREAKDOWN OF NEGOTIATIONS FOREIGN MINISTER
BY LETTER.
SAME LETTER WILL CLARIFY FOR RECORD THAT
EMBASSY DID NOT IN FACT SUGGEST THAT 24 FLIGHT PROPOSAL
WOULD BE ACCEPTABLE TO EITHER BRANIFF OR USG.
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